



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC



OFFICE OF THE ASSISTANT SECRETARY

24 January 1997

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/AQ
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Dual Use Applications Program (DUAP) Funding For Upgrades to
Reduce Operations and support (O&S) Costs

In a previous memorandum same subject, dated 25 November 1996, I announced that OSD had set aside approximately \$100 million of DUAP appropriations to prototype an approach for the services and industry to insert commercial technology into existing military systems to reduce O&S costs. The basic structure of this new program, called the Commercial O&S Savings Initiative (COSSI), has been finalized.

The mission of COSSI is to develop and test a method for reducing O&S costs by inserting commercial products and processes into fielded systems. This program seeks proposals from firms or teams that include at least one for-profit firm. Proposals must have the written support of a military customer. Selected proposers will develop, manufacture, and deliver prototype kits to the military for installation into a fielded DoD System. Each kit will consist of a commercial product or process that has been adapted, qualification tested, and readied for insertion. Proposers may also choose to offer maintenance service agreements for their kits to assure their performance and reliability. In Stage I of each selected project, DUAP and the chosen proposer will share the costs of developing and testing the kit. In Stage II, provided Stage I has been successful, the military customer may purchase reasonable production quantities of the kit. Funding for Stage II efforts will be the responsibility of the military customer. Proposals will include target prices for kits and, if applicable, maintenance service agreements.

To reduce the traditional administrative burden and oversight of government contracts, we plan to use during Stage I an innovative type of agreement known as an "Other Transaction." This type of agreement allows industry to use IR&D funds for cost-sharing and provides a great deal more flexibility and far fewer regulatory requirements than a typical Federal Acquisition Regulation (FAR) contract. An Air Force "Tiger Team" will be trained on these type agreements and will be available to assist those programs with proposals selected for execution. It is currently expected that the follow-on Phase II effort will use FAR. It will be the Service's goal to purchase the selected kits and, if applicable, maintenance agreements in stage II: without recompetition; at a fair and reasonable price based on an analysis of the value of the kits to the Services; and without requiring proposers to provide detailed cost and pricing data.

The military customer plays a key role in COSSI so its important you understand your potential responsibilities. The military customer is the Air Force organization that (i) will oversee Stage I, (ii) has the authority, assuming funds are available, to decide whether or not to proceed to Stage II, and (iii) will likely have technical and procurement responsibility for implementing the insertion and, if applicable, the maintenance agreement. In general, this military customer will be a military program manager who is responsible for the system into which the proposed kit will be inserted. The military customer must, in a formal statement to be inserted in the proposal, provide a statment of support showing their confidence that the technical approach proposed for the nonrecurring engineering and qualification testing in Stage I is sound and that the kit should maintain equivalent system level performance and should lead to the claimed O&S savings.

As mentioned in the previous memo, the \$100 million of DUAP funds must be obligated by 30 September 1997 so COSSI will use an expedited process. The COSSI solicitation was published 15 January 1997. Proposals are due to the Joint Dual Use Program Office (JDUPO) within the Defense Advanced Research Projects Agency (DARPA) by 18 March 1997, where they will be provided to the Services for evaluation and screening. The specific process the Air Force will use internally for evaluation and screening is still being developed and will be provided by 14 February 1997. The Air Force will then submit a final ranked list of proposals to compete with the other Services. Final selection and finding by the DUAP Steering Group will occur 2 May 1997. Since we contemplate that Stage I proposals will probably be valued m the \$3-10 million range, including Government and contractor cost share, each Service will only be able to fund a limited number of proposals. As a result, in discussions with prospective offerors, you should only encourage submittal of high payoff proposals.

Complete program information is included in a document entitled, "The Commercial Operations& Support (O&S) Savings Initiative, Dual Use Applications Program, Solicitation No. 97-12," dated January 15, 1997. You may download this document from the INTERNET (www.jdupo.darpa.mil/jdupo/index.html) or request this document by phone (1-800-DUAL-USE) or email (Dual-Use@arpa.mil). My focal point for this effort is Col George Williams, SAF/AQRE, (703) 697-1417 or Maj Mark Harris, (703) 602-9200 ext 16. Once again I encourage your support for this program.


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Assistant Secretary of the Air Force
(Acquisition)